

Message Text

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ACTION TRSE-00

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DEPT PASS AID

E.O. 11652: N/A
TAGS: ETEL, BEXP, EAID, EG
SUBJECT: ITT REPS. DISCUSS EGYPTIAN TELECOMMUNICATIONS
PROJECTS

REF: CAIRO 14232

1. SUMMARY. ITT REPS., IN CALL ON CHARGE, EXPRESSED
INTEREST IN EGYPTIAN TELECOMMUNICATIONS PROJECTS AND WERE
BRIEFED ON CURRENT AID PLANS IN THIS AREA. GROUP WAS RE-
ASSURED ON QUESTION OF EVEN-HANDED POSTURE OF USG WITH
RESPECT TO ALL US COMPANIES THAT MIGHT BECOME INVOLVED IN
TELECOMMUNICATIONS EFFORT, BUT NEITHER WE NOR FIRMS KNOW
WHAT GOE INTENDS DO ON TELECOMMUNICATIONS IMPORVEMENT BE-
YOND "QUICK-FIX" PROGRAM NOW BEING UNDERTAKEN BY AID.
EMD SUMMARY.

2. INTERNATIONAL TELEPHONE AND TELEGRAPH CORP. (ITT)
CAIRO REP. VERDICH, ACCOMPANYING VISITING COMPANY VICE-
PRESIDENTS GILFOYLE AND BARNES, CALLED ON CHARGE JUNE 5
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TO REVIEW TELECOMMUNICATIONS PROJECTS PLANNED IN EGYPT
AND TO INDICATE ITT'S INTEREST IN PARTICIPATING IN SUCH
PROJECTS. REPS. NOTED THAT ITT HAD INCREASED ITS US-
BASED EQUIPMENT MANUFACTURING CAPABILITY THROUGH RECENT
ACQUISITION OF NORTH ELECTRIC CORP., AND THAT COMPANY
WAS ALSO EXPERIENCED AS AN OPERATING ENTITY, HAVING RUN
SOME TELEPHONE SYSTEMS IN CARIBBEAN AREA.

3. ITT OFFICIALS WERE ESPECIALLY INTERESTED IN REHABILITATION OF EGYPTIAN TELECOMMUNICATIONS SYSTEM, EXPECTED TO BE UNDERTAKEN IN LIGHT OF RECOMMENDATIONS OF JUST-COMPLETED AID-FINANCED SECTOR STUDY DONE BY CONTINENTAL TELEPHONE. THEY INDICATED THEIR UNDERSTANDING THAT COST OF IMPLEMENTING STUDY RECOMMENDATIONS WOULD RUN INTO BILLIONS OF DOLLARS OVER NEXT SEVERAL YEARS AND CLAIMED, BECAUSE OF WIDE GEOGRAPHICAL SPREAD OF THEIR MANUFACTURING OPERATIONS, TO BE IN EXPECIALLY FAVORABLE POSITION TO TAKE ADVANTAGE OF FINANCING FOR PROJECT THAT MIGHT BE OFFERED BY INDIVIDUAL COUNTRIES. ITT GROUP WAS CONCERNED, HOWEVER, BY REPORTS THAT CONTINENTAL, JOINED IN A CONSORTIUM WITH ATT AND GTE, HAD MADE PROPOSALS TO GOE WHICH, IF ACCEPTED, MIGHT HAVE EFFECT OF ELIMINATING OTHER COMPETITION.

4. CHARGE EMPHASIZED IN HIS REMARKS THE GREAT IMPORTANCE EMBASSY ATTACHES TO SEEING TELECOMMUNICATIONS REHABILITATION EFFORT IN EGYPT UNDERTAKEN BY US FIRM, BUT STATED THAT USG COULD NOT, OF COURSE, FAVOR ANY PARTICULAR COMPANY. IN REPLY QUESTION ABOUT AID INVOLVEMENT IN TELECOMMUNICATIONS PROGRAM, AID/CDE CHIEF, PRESENT DURING MEETING, NOTED THAT AID HAD BUDGETED APPROXIMATELY \$40 MILLION FOR THIS SECTOR IN FY '78. THIS ALLOCATION WOULD FUND INITIAL "QUICK-FIX" PHASE OF WORK, AND IBRD LIMITED OFFICIAL USE

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HAD MADE ADDITIONAL \$53 MILLION AVAILABLE FOR EQUIPMENT PURCHASES. AID ANNOUNCEMENT INVITING FIRMS TO PREQUALIFY TO OFFER "SOFTWARE" SERVICES, INCLUDING TRAINING OF EGYPTIAN PERSONNEL AND PREPARATION OF SPECIFICATIONS ON

EQUIPMENT TO BE PROCURED, HAD JUST BEEN PREPARED AND WOULD SOON BE PUBLISHED. AID OFFICIAL POINTED OUT, HOWEVER, THAT AID WOULD NOT NORMALLY AGREE TO PROVISION OF THESE SERVICES BY EQUIPMENT MANUFACTURERS UNLESS SUCH FIRMS WERE WILLING DISQUALIFY THEMSELVES FROM LATER BIDDING ON TENDERS FOR SUPPLY OF HARDWARE.

5. EMBOFFS AND COMPANY REPS. AGREED THAT, EVEN IN BEST OF CIRCUMSTANCES, AID COULD PROBABLY PROVIDE ONLY A FRACTION OF TOTAL RESOURCES REQUIRED FOR IMPLEMENTATION OF STUDY REDCOMMENDATIONS. ONE OBVIOUS SOURCE OF ADDITIONAL FUNDS WOULD BE OIA-RICH ARAB STATES. HOWEVER, JUST HOW EGYPT PLANS PROCEED WITH TELECOMMUNICATIONS EF-*945, WHAT GOE INTENDS TO DO ABOUT FINANCING, AND WHAT PRIORITY TELECOMMUNICATIONS IMPROVEMENT -- IMPORTANT THOUGH IT IS-- WILL HAVE IN OVERALL SCHEME OF EGYPTIAN INFRASTRUCTURE NEEDS IS NOT NOW CLEAR.

6. COMPANY REPS. CLOSED BY REFERRING TO PROPOSALS THEY HAD MADE FOR JOINT VENTURE TO MANUFACTURE CERTAIN ITEMS OF TELEPHONE EQUIPMENT IN EGYPT, A STEP THEY THOUGHT WOULD MAKE IMPORTANT CONTRIBUTION TO UPGRADING OF LOCAL SKILLS AND MIGHT EVENTUALLY LEAD TO EXPORTS. THEY ALSO NOTED REPORTS THAT TELECOMMUNICATIONS ORGANIZATION MIGHT BE RESTRUCTURED TO OPERATE ALONG LINES OF A PRIVATE COMPANY, WITH EXPECTATION OF SUBSTANTIALLY IMPROVED EFFICIENCY.

7. ITT OFFICIALS EXPRESSED HOPE THAT MEETING WITH AMBASSADOR MIGHT BE POSSIBLE IF HE RETURNS WHILE THEY ARE STILL IN CAIRO. CHARGE INDICATED HE WOULD ATTEMPT LIMITED OFFICIAL USE

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ARRANGE MEETING. COMPANY REPS. SAID THEY WOULD IN ANY EVENT KEEP EMBASSY ADVISED OF RESULTS OF THEIR TALKS, DURING CURRENT VISIT, WITH GOE OFFICIALS.

8. COMMENT, ITT REPS. SEEMED REASSURED THAT USG APPROACH TO COMPETING FIRMS IS AN EVEN-HANDED ONE, WITHOUT FAVOR TOWARD ANY PARTICULAR COMPANY. AS NOTED, HOWEVER, ACTUAL GOE TELECOMMUNICATIONS PLANS REMAIN UNCLEAR. CURRENT ROUND OF COMPANY VISITS AND OUR OWN CONTINUING CONTACTS MAY SHED SOME LIGHT ON SUBJECT. EILTS

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